GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5354
ANSWERED ON:22.12.2000
FULL YEAR CREDIT POLICY
RAMDAS ATHAWALE

Will the Minister of FINANCE be pleased to state:

(a) whether PHD Chamber of Commerce and Industry has called for a pro-active, positive and radical policy with a view to generating demand and encouraging investment and forex inflows for the full year instead of half-yearly announcement of the credit policy at present being followed;

(b) if so, the Chamber of Commerce and Industry has pointed out that a full year credit policy is needed in the present liberalised and competitive investment period;

(c) Whether according to the Chamber, a flexible and pragmatic credit policy for the full year will ensure adequate credit availability at comparable costs to all the production sectors of the economy;

(d) If so, whether the Government have accepted the suggestions; and

(e) If so, by what time final decision in this regard is likely to be taken?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) : The PHD Chamber of Commerce and Industry sent their suggestions in September, 2000 to RBI for Busy Season Credi Policy. However, there was no suggestion for a full year announcement, instead of half-yearly announcement, of credit policy.

(c),d & (e): The Reserve Bank of India (RBI), which is the monetory authority in the country, is concerned with all matters pertaining to monetory and credit policy. Monetory and credit policy involves the use of official instruments under the control of the central bank to regulate the availability, cost and use of money and credit with a view to achieving objectives like price stability, higher levels of investment, output and employment, and balance of payments equilibrium.

Till 1997-98, RBI announced bi-annual statement on credit policy during April and October of each year.With effect from April, 1998, RBI has started announcing annual Monetary and Credit Policy Statement in April followed by a Mid-Term Review with focus on structural measures to strengthen the financial system and to improve the functioning of various segments of financial market. Generally, the Mid-Term Review confines to review of monetary developments in the first half of the year and to such changes as may be necessary in monetary projections during the second half of the year. In its Statement on Monetary and Credit Policy for 2000-2001, RBI made clear its intention to continue the current policy stance of ensuring availability of bank credit for all legitimate requirements without generating inflationary pressures.